CREDIT OPINION
22 May 2024

Update

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RATINGS

Raiffeisen Bank SA

Domicile	Bucharest, Romania
Long Term CRR	Baa1
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Baa1
Type	Senior Unsecured - Dom Curr
Outlook	Stable
Long Term Deposit	Baa1
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Raiffeisen Bank SA

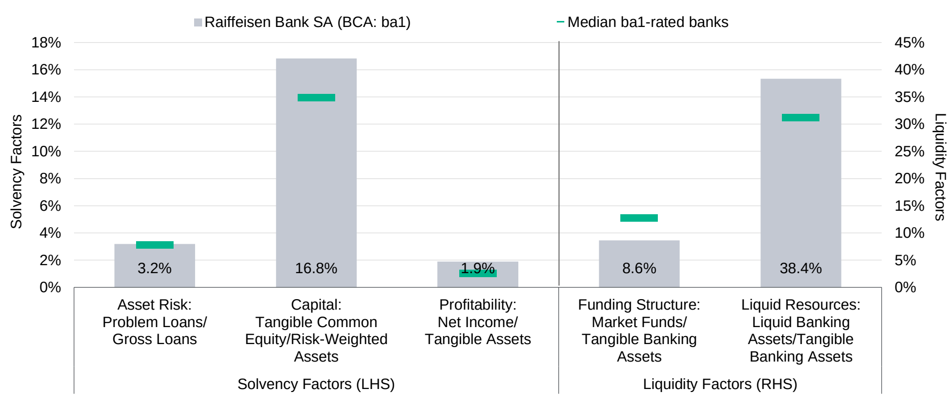
Update to credit analysis

Summary

Raiffeisen Bank SA's (RBRO) Baa1 long-term deposit and senior unsecured ratings reflect the bank's ba1 standalone Baseline Credit Assessment (BCA), one notch of rating uplift based on our assumption of a high likelihood of affiliate support from its parent, Raiffeisen Bank International AG (RBI, A1/A1 stable, baa3[1]) and two notches of rating uplift from the application of our Advanced Loss Given Failure (LGF) analysis that considers the severity of losses faced by different liability classes in the event of a resolution.

RBRO's ba1 BCA captures its sound capital metrics, strong earnings generation capacity that has been supported by higher interest rates, and its deposit-based funding profile, which is primarily retail-based and domestically sourced. The BCA also captures elevated asset risks from a significant share of foreign currency (FC) lending whereby the repayment capacity of unhedged borrowers would be challenged in case of a currency devaluation, and some credit concentrations, such as to unsecured consumer lending, while a material share of FC deposits bear refinancing tail risks.

Exhibit 1
Key financial ratios



These are our Banks Methodology scorecard ratios. Asset Risk and Profitability reflect the weaker of either the latest figure or the three-year and latest figure average. Capital is the latest reported figure. Funding Structure and Liquid Resources reflect the latest fiscal year-end figures.
Source: Moody's Financial Metrics

Credit strengths

» Strong earnings generation capacity

» Sound capitalisation metrics, well above regulatory requirements

» High liquidity balances funding risks

Credit challenges

» Asset risks from FC-denominated loans and sector concentrations

» Significant proportion of FC deposits entail funding risks in a sovereign-related adverse-case scenario

Outlook

The stable outlook on RBRO's long-term ratings reflects our expectation of a broad stability in its solvency and liquidity metrics, and that the bank's liability structure will not change significantly such that the LGF analysis' results remain at current levels.

Factors that could lead to an upgrade

» RBRO's Baa1 deposit and senior unsecured debt ratings are constrained at two notches above the Government of Romania's Baa3 rating and could be upgraded only following an upgrade of the sovereign rating.

» The Baa2 junior senior unsecured debt rating could be upgraded in case of an upgrade of the bank's Adjusted BCA, or a substantial increase in outstanding volumes of such debt or debt subordinated to it that may lower loss severity and result in higher notching uplift under our Advanced LGF analysis.

» RBRO's Adjusted BCA could be upgraded following a combination of an upgrade of RBI's BCA and an upgrade of its own BCA because of sustainably improved asset quality and an increase in capital while maintaining solid liquidity buffers as well as strong core profitability.

Factors that could lead to a downgrade

» RBRO's deposit and senior unsecured ratings could be downgraded in case of a downgrade of Romania's sovereign rating that would constrain these ratings lower.

» The junior senior unsecured debt rating could be downgraded in case of a downgrade of its Adjusted BCA, or changes in the bank's liability structure that would lower the notching uplift from our LGF analysis.

» RBRO's Adjusted BCA could be downgraded either in case of a downgrade of its BCA, or lower affiliate support uplift resulting from a downgrade of RBI's BCA or a reduced probability of parental support. RBRO's BCA could be downgraded following a substantial deterioration in asset quality, a sustained weakening of its profitability and capital, or a funding shock and pressure on its liquidity.

Key indicators

Exhibit 2
Raiffeisen Bank SA (Consolidated Financials) [1]

	12-23[2]	12-22[2]	12-21[2]	12-20[2]	12-19[2]	CAGR/Avg.[3]
Total Assets (RON Million)	70,777.8	62,589.8	59,833.5	52,053.2	43,856.2	12.7[4]
Total Assets (USD Million)	15,715.8	13,500.7	13,697.8	13,084.8	10,285.6	11.2[4]
Tangible Common Equity (RON Million)	6,630.8	5,670.3	4,871.3	4,906.5	4,320.6	11.3[4]
Tangible Common Equity (USD Million)	1,472.3	1,223.1	1,115.2	1,233.4	1,013.3	9.8[4]
Problem Loans / Gross Loans (%)	2.8	2.9	3.8	3.9	4.2	3.5[5]
Tangible Common Equity / Risk Weighted Assets (%)	16.8	15.4	14.5	16.3	15.4	15.7[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	15.6	16.9	21.1	19.0	22.2	19.0[5]
Net Interest Margin (%)	4.1	3.9	3.2	3.7	4.2	3.8[5]
PPI / Average RWA (%)	5.3	4.6	3.6	3.9	4.5	4.4[6]
Net Income / Tangible Assets (%)	2.3	2.0	1.3	1.2	1.9	1.8[5]
Cost / Income Ratio (%)	47.2	50.8	58.3	57.4	55.7	53.9[5]
Market Funds / Tangible Banking Assets (%)	8.6	7.9	4.8	2.5	3.1	5.4[5]
Liquid Banking Assets / Tangible Banking Assets (%)	38.4	33.2	41.9	41.4	33.3	37.6[5]
Gross Loans / Due to Customers (%)	79.1	83.7	69.1	69.1	79.5	76.1[5]

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.
Sources: Moody's Ratings and company filings

Profile

RBRO is a Romanian universal bank and a 99.95% owned subsidiary of Austria's RBI. The bank provides financial services to individuals, small and medium-sized enterprises (SMEs) and corporate clients. The bank also offers leasing and asset management services through its subsidiary companies.

As of the end of 2023, with total assets of around RON71 billion (€14 billion) RBRO was the sixth-largest bank by assets in Romania with a market share of 8.7%, but the third-largest bank by gross loans with a market share of 10.4%.

Detailed credit considerations

Improved loan quality, but also some asset risks from FC-denominated loans and sector concentrations

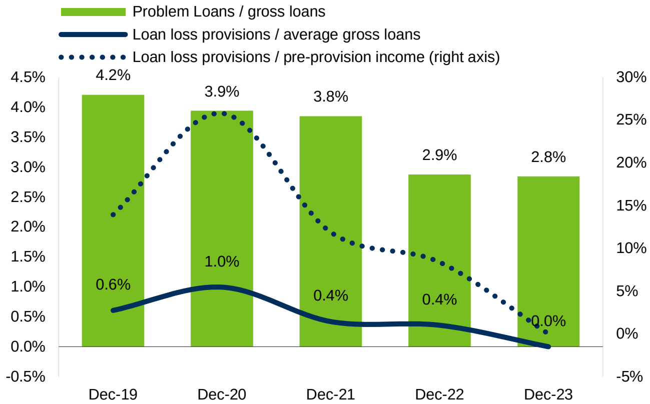
Our ba2 Asset Risk score reflects the bank's improved loan quality, with a problem loan ratio below 4% since 2020, but also currency-induced credit risk from a material share of FC loans, strong loan growth in 2018-2022 that suggests the portfolio is still unseasoned, and some concentration in unsecured consumer finance.

RBRO's asset quality has steadily improved in recent years driven by the bank's efforts to clean up its balance sheet through write-offs, recoveries and sales of problem loans. The bank's problem loans (defined as IFRS 9 Stage 3 loans and purchased or originated credit impaired loans) was 2.8% of gross loans as of December 2023 (see Exhibit 3). The coverage of problem loans by Stage 3 provisions stood at 60%, while riskier Stage 2 loans remained flat at 12% of gross loans and below domestic peers.

We expect some new but manageable problem loan formation because of macroeconomic headwinds, and for credit costs (loan loss provision expenses/average gross loans) to increase from recent very low levels. Credit costs were 0.4% in 2022 and close to zero in 2023.

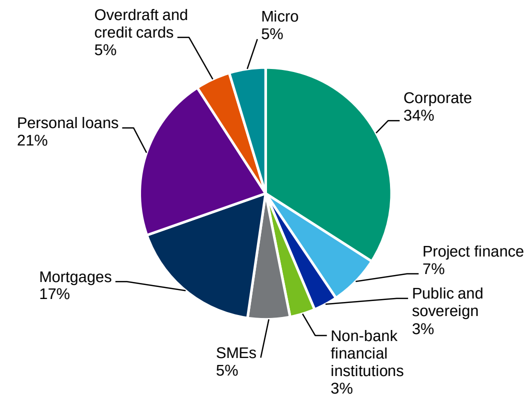
A potential weakening of the local currency versus the euro remains a key source of asset risk because the bank's FC lending (mainly euro-denominated) accounts for around a third of its gross loans. Most of these loans are to larger corporate clients, and there is limited outstanding FC lending towards private individuals. Additionally, RBRO is largely exposed to unsecured loans to consumers, at 24% of gross loans as of December 2023 (see Exhibit 4, figure includes personal loans, excluding those guaranteed by mortgages, overdrafts and credit cards) and around 160% of the bank's Tangible Common Equity (TCE), a segment with typically higher inherent default risk. The bank's exposure to the cyclical real estate and construction sectors was equivalent to 9% of gross loans.

Exhibit 3
Asset quality metrics improved in recent years
In percentage terms



Sources: Company reports and Moody's Ratings

Exhibit 4
RBRO's is largely exposed to consumer loans
Breakdown of credit by segment as of the end of 2023



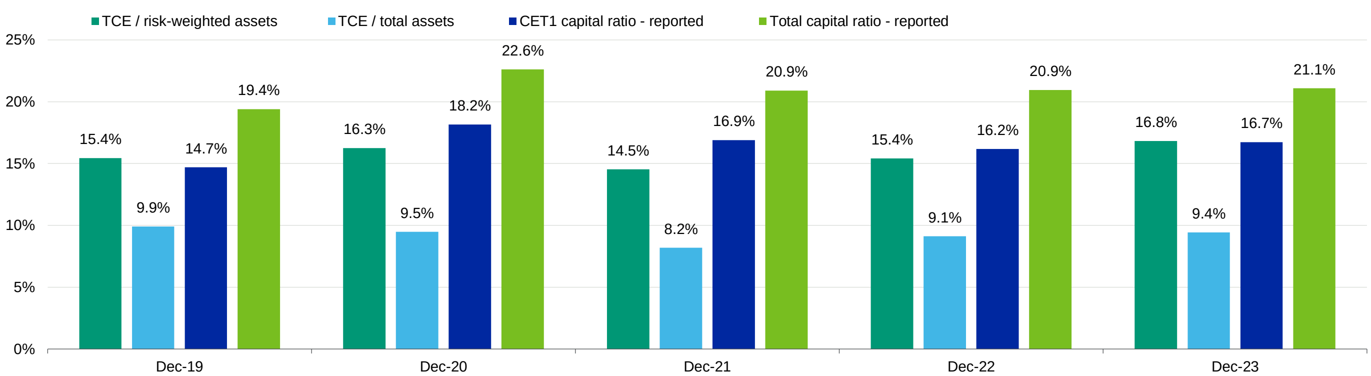
Sources: Company reports and Moody's Ratings

Sound capitalisation, which is well above regulatory requirements

RBRO's has sound capital and therefore loss-absorbing buffers, which drives our ba1 Capital score. Our assessment reflects our expectation of the bank's capital ratios going forward with a TCE ratio at around 15%, and also captures potential volatility in capital metrics in a stress scenario where the leu depreciates and the leu-equivalent of FC risk-weighted assets increase.

The bank's TCE-to-risk-weighted assets ratio was 16.8% as of year-end 2023, up from 15.4% at year-end 2022 (see Exhibit 5). Our TCE ratio includes all current period profits and does not include some regulatory deductions and certain revaluation reserves that are considered in the calculation of Tier 1 capital, but we consider higher risk weights for RBRO's sovereign bond holdings based on our ratings at the time of reporting per our standard adjustment.

Exhibit 5
RBRO's has sound capital metrics



Source: Moody's Ratings

RBRO reported broadly stable regulatory capital ratios, with a Common Equity Tier 1 (CET1) capital ratio of 16.7% as of the end of 2023 and a total capital ratio of 21.1%, comfortably above regulatory requirements. The minimum CET1 and total capital ratios that applied at that time were 11.6% and 17.2% respectively and included a 1% countercyclical capital buffer, a 1% other systemically important bank buffer for RBRO and a bank-specific 4.7% Pillar 2 requirement included in the total capital ratio minimum.

Strong earnings generation capacity

RBRO benefits from a strong and sustainable earnings generation capacity, which drives our baa2 Profitability score.

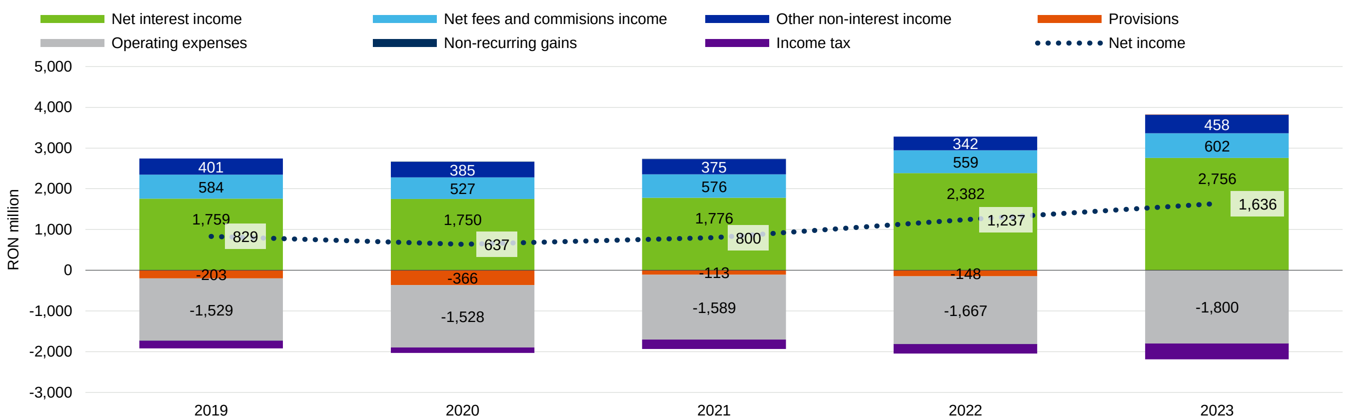
In 2023, net income to tangible assets increased to 2.3% from 2.0% in 2022. Stronger revenues were mainly driven by high net interest income growth of 16% year-over-year to RON2.76 billion (see Exhibit 6) driven by higher interest rates and the repricing of the bank's loan book that is mostly at variable rates. Net fee and commission income, which represented 16% of operating income in 2023, grew by 8% versus 2022.

Total operating expenses also increased to RON1.8 billion (2022: RON1.67 billion) driven by higher staff costs and other tax expenses. Meanwhile, the bank reported a net loan loss provision release of RON29 thousands, compared with a net charge of RON135 million one year earlier.

Exhibit 6

Higher net interest income was the main driver of revenue growth in 2023

Breakdown of net income



Source: Company reports and Moody's Ratings

Looking ahead, we expect modest pressure on profitability given that net interest margins likely peaked in 2023, with interbank rates already declining in Romania, and higher loan loss provisions from unsustainably low levels and as a result of the more challenging macroeconomic environment. The new tax on turnover will also be a drag on RBRO's profitability, reducing net income to tangible assets by approximately 15 basis points in 2024 and 2025.

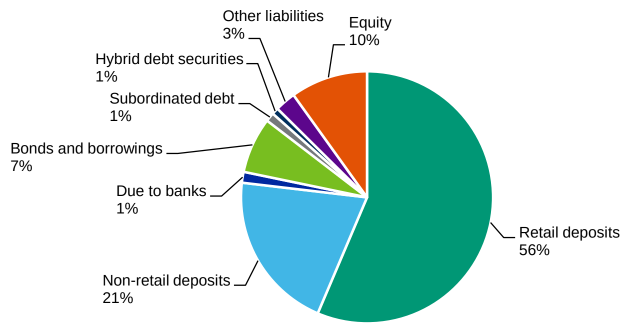
Strong deposit franchise but significant proportion of FC deposits entail funding risks; high liquidity balances these risks

RBRO's ba1 Funding Structure score captures the bank's strong deposit funding franchise, with limited reliance on more confidence sensitive market funding at 9% of tangible banking assets as of December 2023, as well as funding risks arising from the significant proportion of FC deposits.

Customer deposits were equivalent to 77% of RBRO's 2023 total assets (see Exhibit 7) and more than funded its lending activities with the net loan-to-deposit ratio at 77%. Deposits are granular with retail deposits accounting for 73% of the total deposit base. Market funding reliance is mainly driven by issuances to meet the minimum requirement for own funds and eligible liabilities (MREL). The RBI group is subject to a multiple point of entry approach and therefore its foreign subsidiaries, such as RBRO, typically issue MREL-eligible debt to third parties. Given that RBRO already meets its MREL we expect market funding relaince to remain broadly stable at around 10% of assets.

Exhibit 7

RBRO is predominantly funded by retail deposits



Sources: Company reports and Moody's Ratings

In line with other Romanian banks, RBRO has a substantial dependence on FC funding. Around a third of customer and interbank deposits are FC-denominated, mainly in euro. While exchange-related risks are mitigated by a similar share of FC loans, FC deposits are more prone to deposit flights in a sovereign stress scenario.

RBRO's high liquidity further mitigates funding risks and drives our ba1 Liquid Resources score. Liquid assets were 38% of tangible banking assets at end-2023, with cash and interbank balances accounting for half of the liquidity reserve while the remaining was mostly invested in Romanian government bonds. However, in our analysis we consider the large amount of Romanian sovereign bonds of weaker quality compared the bank's cash holdings, while they can also be impacted by revaluation effects. The bank's liquidity coverage ratio was a strong 300% in April 2024 according to information published by RBI.

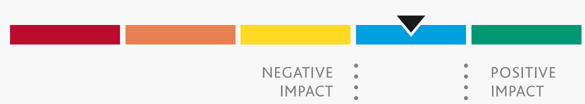
ESG considerations

Raiffeisen Bank SA's ESG credit impact score is CIS-2

Exhibit 8

ESG credit impact score

CIS-2

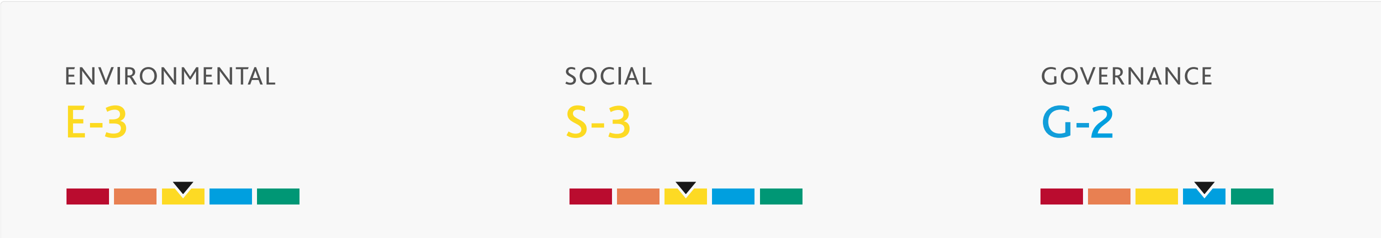


ESG considerations do not have a material impact on the current rating.

Source: Moody's Ratings

Raiffeisen Bank SA (RBRO)'s **CIS-2** indicates that ESG considerations have no material impact on the current ratings.

Exhibit 9
ESG issuer profile scores



Source: Moody's Ratings

Environmental
RBRO faces moderate environmental risks mainly because of its portfolio exposure to carbon transition risk as a large, universal bank in Romania. Like peers, the bank is facing growing business risks and stakeholder pressure to meet broader carbon transition goals. In response, RBRO is actively engaging in further developing its risk management and climate risk reporting frameworks and trying to align its business with the transition to a low-carbon economy.

Social
RBRO faces moderate social risks mostly related to customer relations, as well as to demographic and societal trends. The bank's developed policies and procedures, supported by its Austrian parent's oversight, mitigate conduct risk associated with the distribution of financial products such as regulatory and reputational risks, as well as exposure to litigation. High cyber and personal data risks are mitigated by technology solutions and organisational measures to prevent data breaches. Product diversity and the ability to adapt to changing consumer preferences, regulatory changes and societal trends such as digitization help address related risks.

Governance
RBRO faces low governance risks. The bank's risk management, policies and procedures are in line with industry practices, and commensurate with its universal banking model. Because RBRO is effectively controlled by Raiffeisen Bank International AG through its 100% shareholding, we have aligned the subsidiary's board structure, policies and procedures score with that of its parent, given the bank's strategic importance and public affiliation with the group, the parent's oversight of its subsidiary board and the regulated nature of both entities.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Affiliate support
We assess the probability of affiliate support to be high, based on RBRO's ownership by RBI and the association with RBI's brand. This assessment results in one notch of uplift to the Adjusted BCA of baa3 from the BCA of ba1.

Loss Given Failure (LGF) analysis
We apply our Advanced LGF analysis to RBRO's liabilities because it is subject to the EU Bank Recovery and Resolution Directive (BRRD), which is an operational resolution regime. In our Advanced LGF analysis we use our standard assumptions and assume a residual TCE of 3% and post-failure losses of 8% of tangible banking assets, a 25% runoff in junior wholesale deposits, a 5% runoff in preferred deposits and a proportion of 26% of deposits considered junior (in line with the EU average), and assign a 25% probability to deposits being preferred to senior unsecured debt.

For the deposits and senior unsecured debt, our Advanced LGF analysis indicates an extremely low loss given failure. Our assigned notching is driven by the applicable rating cap, two notches higher than the Romanian government's debt rating. Without this restriction, the deposits and senior unsecured instruments would have benefited from three notches of rating uplift above the bank's Adjusted BCA.

For the junior senior unsecured debt, our Advanced LGF analysis indicates a low loss given failure, leading to one notch of rating uplift above the bank's Adjusted BCA.

Government support considerations

We incorporate a low likelihood of support from the Romanian government for RBRO's deposits in the event of its failure. This reflects the operational resolution regime, which is likely to restrict the ability of the government to provide such support, even if it were willing to do so, requiring losses to be imposed on more senior creditors and large depositors under certain circumstances. Consequently, RBRO's deposit and senior unsecured debt ratings do not benefit from any uplift from systemic support from the Romanian authorities.

Counterparty Risk Ratings (CRRs)

RBRO's are Baa1/P-2

The CRRs are positioned two notches above the Adjusted BCA of baa3, reflecting the extremely low loss given failure from the high volume of instruments that are subordinated to CRR liabilities. The bank's CRRs are constrained by the applicable rating cap, two notches higher than the Romanian government's debt rating. Without this restriction, RBRO's CRRs would have benefited from three notches of rating uplift.

Counterparty Risk (CR) Assessment

RBRO's CR Assessment is Baa2(cr)/P-2(cr)

The CR Assessment is one notch above the Adjusted BCA of baa3, based on the buffer against default provided to the senior obligations. CR Assessments are typically capped at the level of the government debt rating, plus one additional notch.

Methodology and scorecard

About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may significantly differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 10
Raiffeisen Bank SA

Macro Factors							
Weighted Macro Profile	**Moderate -**	**100%**					
Factor		**Historic Ratio**	**Initial Score**	**Expected Trend**	**Assigned Score**	**Key driver #1**	**Key driver #2**
Solvency							
Asset Risk							
Problem Loans / Gross Loans		3.2%	ba1	↔	ba2	Quality of assets	Sector concentration
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)		16.8%	baa1	↓	ba1	Stress capital resilience	Expected trend
Profitability							
Net Income / Tangible Assets		1.9%	baa2	↔	baa2	Return on assets	
Combined Solvency Score			baa2		ba1		
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets		8.6%	baa3	↔	ba1	Deposit quality	
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets		38.4%	baa3	↔	ba1	Quality of liquid assets	
Combined Liquidity Score			baa3		ba1		
Financial Profile					ba1		
Qualitative Adjustments					Adjustment		
Business Diversification					0		
Opacity and Complexity					0		
Corporate Behavior					0		
Total Qualitative Adjustments					0		
Sovereign or Affiliate constraint					Baa3		
BCA Scorecard-indicated Outcome - Range					baa3 - ba2		
Assigned BCA					ba1		
Affiliate Support notching					1		
Adjusted BCA					baa3		

Balance Sheet	**in-scope (RON Million)**	**% in-scope**	**at-failure (RON Million)**	**% at-failure**
Other liabilities	7,455	10.6%	13,004	18.5%
Deposits	54,400	77.3%	48,851	69.5%
Preferred deposits	40,256	57.2%	38,243	54.4%
Junior deposits	14,144	20.1%	10,608	15.1%
Senior unsecured bank debt	726	1.0%	726	1.0%
Junior senior unsecured bank debt	4,214	6.0%	4,214	6.0%
Dated subordinated bank debt	803	1.1%	803	1.1%
Preference shares (bank)	622	0.9%	622	0.9%
Equity	2,110	3.0%	2,110	3.0%
Total Tangible Banking Assets	70,330	100.0%	70,330	100.0%

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	27.1%	27.1%	27.1%	27.1%	3	3	3	3	0	baa1
Counterparty Risk Assessment	27.1%	27.1%	27.1%	27.1%	3	3	3	3	0	baa2 (cr)
Deposits	27.1%	11.0%	27.1%	12.1%	3	3	3	3	0	baa1
Senior unsecured bank debt	27.1%	11.0%	12.1%	11.0%	3	2	3	3	0	baa1
Junior senior unsecured bank debt	11.0%	5.0%	11.0%	5.0%	1	1	1	1	0	baa2

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	3	0	baa1	0	Baa1	Baa1
Counterparty Risk Assessment	3	0	baa2 (cr)	0	Baa2(cr)	
Deposits	3	0	baa1	0	Baa1	Baa1
Senior unsecured bank debt	3	0	baa1	0	Baa1	(P)Baa1
Junior senior unsecured bank debt	1	0	baa2	0	Baa2	Baa2

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Ratings

Ratings

Exhibit 11

Category	Moody's Rating
RAIFFEISEN BANK SA	
Outlook	Stable
Counterparty Risk Rating	Baa1/P-2
Bank Deposits	Baa1/P-2
Baseline Credit Assessment	ba1
Adjusted Baseline Credit Assessment	baa3
Counterparty Risk Assessment	Baa2(cr)/P-2(cr)
Senior Unsecured -Dom Curr	Baa1
Junior Senior Unsecured	Baa2
Junior Senior Unsecured MTN	(P)Baa2
PARENT: RAIFFEISEN BANK INTERNATIONAL AG	
Outlook	Stable
Counterparty Risk Rating	A1/P-1
Bank Deposits	A1/P-1
Baseline Credit Assessment	baa3
Adjusted Baseline Credit Assessment	baa2
Counterparty Risk Assessment	A1(cr)/P-1(cr)
Senior Unsecured	A1
Junior Senior Unsecured -Dom Curr	Baa2
Junior Senior Unsecured MTN -Dom Curr	(P)Baa2
Subordinate -Dom Curr	Baa2
Pref. Stock Non-cumulative -Dom Curr	Ba2 (hyb)

Source: Moody's Ratings

Endnotes

1 The ratings shown in this report are the banks' deposit rating, senior unsecured debt rating and Baseline Credit Assessment.

REPORT NUMBER 1406545

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454